



SOCIETY OF ACTUARIES

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PRESIDENTIAL ADDRESS

Looking forward



by Barnett N. (Bob) Berin
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During the last two years as president-elect and as president, I have tried to act on your behalf and move the Society of Actuaries (SOA) forward, by changing it from an inward-looking to an outward-looking organization. As this two-year period closes, it seems appropriate to highlight the initiatives undertaken to move in that direction. While self-appraisals can be dangerous, I believe the following significant projects and activities will enhance a broader role for the actuary in the future. Here are some highlights of my involvement.

Macrodemographic model

The first is the development of a macrodemographic model. This is an area where the actuarial profession can make a significant contribution to society in general and to its own future. A research project will be underway shortly to determine the feasibility of developing a model of the total U.S. population by city, state, and region.

This model should include all aspects of demography and reflect the employed, unemployed, and those

covered by health insurance or private pensions, in order to answer quantitative questions raised by the government's executive branch, particularly about uncovered groups. This model could be adapted to reflect any local or national series of time payments, such as unemployment and welfare.

Social Security

Social Security is another area where the actuarial profession can make a major contribution. Too much has been written about Social Security that is misleading to the American public. To help set the record straight, a Social Security education initiative will soon be undertaken by the SOA Foundation.

As Walt Rugland briefly outlined yesterday, its purpose is to provide objective information about the Social Security system — past, present, and future — and what some of the options are to keep it healthy. The Foundation is currently exploring the possibility of working with various corporations on this important project.

Actuarial Circles

Actuarial Circles is another program started last year as a grassroots effort to encourage actuaries to lend their expertise to important issues being discussed in the media. The SOA has held briefings on how to approach and work with the media. To date, almost 300 members have become part of the Circles network. Their activity has focused on writing letters and meeting with reporters on subjects ranging from Social Security and Medicare to tax issues. Circles members benefit personally by gaining communications skills, and the profession benefits by having knowledgeable actuaries step forward to provide an actuarial perspective on appropriate issues.

Matching resume service

A fourth program, now about 1½ years old, is a no-fee employment service for

unemployed actuaries and students with more than 100 credits. Employers send in job listings with their requirements to the SOA. These job listings are matched against resumes on file. Matched resumes are forwarded to companies for their follow-up.

Right now, we have about 225 positions listed and about 200 resumes on file. To date, 165 members who were listed with the resume service have found positions, with a fair number of those being filled at the Fellowship level. The service is currently receiving about 20 new listings a month, with some listings coming from nontraditional employers in the financial field.

In addition, for our unemployed members, there is a deferment/waiver of dues program, with no repayment required, as well as waived meeting and continuing education fees.

Investment mathematics

The fifth subject, one I especially wish to emphasize, is the role investment mathematics will play in the actuarial profession. This subject goes to the heart of what an actuary is and touches on several important aspects of the profession.

We all realize that the profession's rate of growth has slowed. Most of it was fueled by the post-World War II increase in consulting firms specializing in employee benefits. This growth flattened about five years ago due, in my opinion, to needlessly complex and costly IRS and accounting rules as well as a slowdown in the economy.

For the first time since the 1930s, our profession has experienced unemployment, even though it's a low 0.7%. Additionally, those entering the profession are finding a difficult job market. I don't know whether these are temporary or permanent circumstances, but I do know we had better act on them.

At the same time that we are experiencing a change in our employment, it

has become clear that newly created instruments in the investment field are well-suited to the talents of actuaries. In fact, actuaries have been moving into this field. Today, more than 150 are working for investment bankers and advisors, and one of the leading experts on derivatives in the United States is an actuary.

I have tried to...move the Society of Actuaries forward...from an inward-looking to an outward-looking organization.

The investment field presents an opportunity for the actuarial profession, but to capitalize on it, we need to train our students by adding material to the syllabus that is rich in higher investment mathematics and mathematical modeling. This will not be easy, but the Education & Examination (E&E) Committee is taking the beginning steps, and I support their changes for the future. And, thanks to the combined efforts of Lincoln National Corporation and the SOA Foundation, an investment mathematics textbook will be published in 1996. We have a top-notch editor and an excellent team of authors.

Every SOA member will receive a complimentary copy of this textbook, which will fill an important need for actuaries to better understand current problems in finance. This book will help actuaries apply this new knowledge in all practice areas and in nontraditional areas as well.

I believe the investment field will open up for actuaries, much as employee benefit consulting did in the past, and provide interesting and rewarding careers. We must, however, increase our ties to the investment community.

Additionally, we must further expand the investment specialty in our

E&E syllabus, ensuring that it is rigorous and remains current. What better way to do this than by asking the investment community to review our syllabus and suggest modifications? This would demonstrate our commitment to develop and maintain an excellent knowledge base, and it would also indicate that the actuarial profession is producing competent actuaries who can contribute to their business.

There are those who say the actuary's role is largely managerial and not necessarily quantitative. However, I believe that our roots are technical and that any sustained emphasis on non-quantitative approaches is dangerous to our profession's survival.

On any major issue, the actuary should be able to quantify the problem, even if it is no more than a cost/value statement based upon liberal, and then conservative, assumptions. Responding qualitatively to problems can be impressive and may generate much useful material, but in the final analysis, this kind of work need not be done by an actuary. Without quantifying our work, we can lose our place and, most important, our direction. Advanced investment mathematics is an opportunity our profession should not miss.

SOA Foundation

Several times now, I have mentioned the SOA Foundation. As its first chairman, I helped define the mission and its direction. Like all of you, I wish the



President Bob Berin (right) participates in the first Actuarial Circles briefing in Chicago. American Academy of Actuaries Associate Director of Communications Ken Krebbiel (center) offered the Academy's resources and SOA PR Specialist Linda Heacox (left) led the session on how to deal with the news media.

Foundation success, since it will affect the future of the actuarial profession.

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Now let me discuss three observations I've made during this two-year term.

SOA accumulated goodwill

First, I'm proud to say the SOA has a striking reputation. I have traveled a fair amount these last two years, and I can assure you that the SOA is highly regarded and respected all over the world.

Even so, in the United States, we do not capitalize on our reputation by testifying before such bodies as the IRS and congressional committees. While Article X of our Constitution is an impediment, the SOA Sections could be doing more, and they need to be encouraged to tackle such opportunities. We do support the American Academy of Actuaries in its efforts, and as we work together, it's clear that our objectives focus on advancing the profession at large.

The challenge of being an international organization

Second, I've become more aware of the SOA as an international organization. Students are taking our exams in 15 different countries. The largest exam center is in Taiwan, with almost 400 candidates in the last exam cycle. Hong Kong and China also had large turnouts.

However, in Third World countries, access to our education system is frequently difficult. For example, our examination fees are beyond the financial reach of most students; our FSA courses reflect U.S. or Canadian practice so that many students stop at

(continued on page 5)

Presidential address (continued)

the ASA level; and completion of the Fellowship Admissions Course requires students to be present at a U.S. or Canadian location. Many are unable to meet the travel expenses. We have an excellent International Committee studying these issues, and I urge it to move forward with recommendations.

Attendance of observers at Board meetings

The third issue is that of observers at Board of Governors meetings. "Acting on behalf of the members" has always been important to me.

Some years ago, I was responsible for *The Actuary* listing the date and place of the Board meetings to let members know they were welcome to attend as observers. Unfortunately, only a few members have attended these meetings over the years.

I believe that members need to know what transpires at Board meetings beyond the brief published summary of Board actions. We have all made a considerable investment in years of study to become members, and I believe we need to position ourselves to better facilitate two-way communications.

To say that Board members are the representatives of the membership-at-large misses the point. This is no ordinary Board, and we are no ordinary membership.

To help facilitate this communication, I suggest that Section chairpersons assign Board delegates from their Section. The delegates would rotate, so that two or three Sections would regularly send representatives to each Board of Governors meeting. These delegates can then report on discussions of particular interest to their Sections through their newsletters, their Section councils, or Actuaries Online. In addition, a Section delegate may be invited to attend when an agenda item directly affects the Section's special interest.

If we don't do something like this, these meetings in effect become closed to members, and significant changes may come as surprises. Granted, highlights of the meetings are published, but the debates leading up to Board actions are not.

It is important for members to be aware of the rationale behind decisions as well as individual Board representatives' views on a wide range of subjects, since these representatives frequently become vice presidents and presidents of this organization. The SOA Board is not a typical board in the conventional sense. Members need to know what transpires, sometimes in considerable detail.

Closing comments

Now, a few final comments as I end my term as president.

I have met many members these past two years, and the most common

question they ask me is, "How are you doing?" The answer has always been, "Just fine." Not only is this job a great honor; it is interesting and responsible, providing a chance to influence the future of the profession.

Two important features make it especially rewarding. First, the SOA staff support is excellent, first-rate by any standard. Second, the SOA, over its history, has built up enormous goodwill which has only been partially tapped. This goodwill, both here and overseas, makes the job of president easier.

We would not be the Society of Actuaries if not for the willingness of members to volunteer for more than 120 committees. Currently, about 1,400 members are on SOA committees. We have never lacked for volunteers, and this has been a tremendous resource. We owe them a lot, but they are us.

Most of us have benefited from involvement in the Society by meeting people with similar interests who also have been willing to contribute to the profession's future. If you have not already done so, I hope you become involved with the SOA and stay involved.

Over the last twelve months, the theme of our meetings has been professional and ethical responsibilities. Beyond the technical challenges we face, there is the wider responsibility of doing the job right and being responsible, through our individual actions, to preserve not only our own personal integrity but to preserve and enhance the integrity of our profession as well. I hope I have heightened your awareness of this important issue by repeating this theme.

More than occasionally in actuarial work, we are able to do something that helps an individual or employees or, on a wider scale, contributes to society in general. I have always been grateful for that.

Thank you for the opportunity of being your president.



President Berin and wife Diane receive several gifts, including the crystal gavel, signifying the end of his year in office. Berin transfers the office of president to Sam Gutterman (right) at the Boston annual meeting.

